

OCI No. 0067/55
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CENTRAL INTELLIGENCE AGENCY
OFFICE OF CURRENT INTELLIGENCE
24 January 1955

TO : Deputy Director (Intelligence)
SUBJECT: Soviet Annual Plan Report for 1954

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Summary

The Soviet annual plan report announced on 21 January reveals that the economy in 1954 grew a good deal more rapidly than in 1953, mainly because 1953 was a year of transition to the "new course" program. Except for agricultural commodities, most major production goals of the Fifth Five Year Plan, which terminates at the end of 1955, will be met.

Much of the Soviet Union's economic growth is still being achieved, however, by larger additions to the industrial labor force than originally planned and by a considerable expansion of areas under cultivation. Both industrial labor productivity and crop yields per acre are well behind planned goals. Moreover, production costs in industry are not being reduced as scheduled.

The growth of numerous important individual branches of Soviet industry, notably pig iron, petroleum, certain non-ferrous metals, some types of machinery, rolling mills and chemical equipment, has fallen behind schedule. This suggests that growth in these branches of heavy industry has been adversely affected by the successive superimposition upon an already ambitious Fifth Five Year Plan of a combination of such factors as the military build-up attendant upon the Korean War, the "Great Projects," and most recently, the "new course" program. The resultant strains may be a reason for the recent apparent increase in emphasis of the Soviet press on the importance of heavy industry.

Industry, Capital Investment, and Labor Productivity

Gross industrial output was reported as 13 percent higher than in 1953, and 63 percent higher than in 1950. Since the Fifth Five Year Plan called for a 70 percent increase over 1950 in industrial output, it is probable that this goal will be reached by the middle of this year. The overfulfillment of industrial output in the Fourth Five Year Plan (1946-1950), however, was much larger; while the scheduled increase was 48 percent, the actual increase was 73 percent.

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Document No. *15*

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Date: *20 Sept 78*

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The picture is less bright for specific branches of heavy industry on which information is available. The so-called "leading links" of industry -- coal, oil, metallurgy, and electric power -- will barely make the 1955 goals at best (see Table I). Output of pig iron and petroleum is significantly behind schedule, while increases in coal and electric power must be fully maintained to meet goals for the coming year. In the Fourth Five Year Plan, the output goals for the "leading links" were all substantially overfulfilled.

Furthermore, a fairly large list of industrial items has been omitted from both the 1954 plan report and from the reports of earlier years (see Table II). In all instances when a check has been possible, failure to report an increase in output of a commodity has coincided with a decline, however slight, in production.

The plan report provides an interesting insight into some of the adjustments in the economy made since Stalin's death. Previously known adjustments were the increase in attention devoted to agriculture and consumer goods, a continued rapid growth of heavy industry, and a leveling-off of defense expenditures. In addition, certain grandiose construction projects such as the Main Turkmen Canal were apparently cut back. The 1954 Plan report reveals that several other changes have probably occurred.

The report claims that output of petroleum was fulfilled in 1954, although the figures given indicate that output is increasing at a rate well below that needed to fulfill the Five Year Plan. The plan may have been revised downward. Furthermore, output of synthetic rubber increased scarcely at all in 1954 and growth in this expensive, strategic industry may have been cut below the rate originally envisaged. Finally, the present regime has apparently changed the method for achieving the increase in output of electric power, so that most of the increase in the near future is to come from hydro-facilities rather than from steam power stations. The growth in production of steam turbines fell drastically in 1954 while the report still claimed overfulfillment. The increase in production of hydroturbines was very large, however, but still represented an underfulfillment.

Total capital investments increased by 15 percent over the previous year, indicating a rapid recovery from the adjustments and shifts undertaken in 1953. Nevertheless, the

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physical plan for new construction was not fulfilled, and actual construction costs continued to exceed planned costs. The Fifth Five Year Plan calls for a volume of investment 90 percent higher than in the Fourth Five Year Plan (1946-50). This goal may well be attained, but because of chronic failure to reduce construction costs sufficiently, the cost of this program will be a great deal more than planned.

The growth of industrial labor productivity was 7 percent last year over 1953, which reverses the declining trend of productivity increases in recent years, but is still far short of the original Five Year Plan goal, and is also below the goal of 8.3 percent for 1954 announced last April. Despite this failure, the Soviet Union has met the goal for gross industrial production by increasing the labor force more rapidly than planned.

Agriculture

The plan report reiterates that the 1954 harvest of grain, the most important crop, was larger than in 1953, as a result of successes on newly cultivated land. The increase was probably small, however, since the report gives no specific figure, and admits there was a severe drought in the Ukraine and Volga regions. On the other hand, the proportion of the total grain harvest procured by the government has probably increased significantly for the first time in the postwar period. This may enhance the state's flexibility to increase urban grain consumption, grain exports, or reserves, and to divert traditional agricultural areas to fodder grains.

The reported allocation of 116,000 trucks to agriculture in 1954 is much larger than in previous years, and constitutes about one-third of total Soviet truck production. Of the 137,000 general purpose tractors (in 15 horsepower units) allotted to agriculture, all but 22,000 were sent to the "new lands." This indicates that the existing inventory of general purpose tractors in traditional agricultural areas is sufficient to ensure virtually complete mechanization of grain cultivation.

Most of the increase in collective farm income resulting from the rise in procurement prices under the new agricultural program has apparently gone to farm investment funds. The personal income of the individual peasant probably has not increased substantially because of the new program.

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Consumer goods and internal trade

According to the plan report, significant rises in output of manufactured consumer goods and in sale of goods through the state retail trade network made possible the fulfillment a year ahead of time of the original Five Year Plan for state internal trade. In general, plans for both production and trade turnover in durable and semi-durable consumer goods have been easily met, but output and trade in processed foods have increased by little more than half the amount scheduled.

For the first time since the "new course" began, increases in trade turnover for most products have roughly come back into line with production increases. In the 1953 and mid-1954 plan reports, increases in trade were much higher than increases in production because of such factors as (1) up-grading and repricing of goods, (2) greater statistical weight given to more expensive commodities, (3) clearance sales of goods carried over from the previous year, (4) funneling of a higher percentage of total trade through state trade channels than in the past, and (5) increases in imports and releases from state reserves.

Transport

The annual report proudly states that the plan for freight turnover by railway transport has been overfulfilled by such a large amount that the Five Year Plan has already been fulfilled in four years. The USSR has probably been unable to reduce the average length of haul for basic bulk commodities such as coal, ores, grain and timber, and thus has failed to increase the efficiency of rail transport as planned. Failure to meet goals for reduced turn-around time, as well as the official statement that freight car production was not fulfilled in 1954, indicate a continuing pressure upon car supply in the immediate as well as the more distant future.

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TABLE I
 Increases in Industrial Production in the USSR
 in the Fifth Five Year Plan Period (1951-55)^{a/}

Item	Achieved Annual Increases				Planned Increase 1955 over 1950	Percent
	1951	1952	1953	1954		Increase Required in 1955
Gross Industrial production	16	11	12	13	70	5
Pig iron	14	14	9	9	76	14
Steel	15	10	10	8	62	8
Rolled steel	15	12	10	9	64	6
Zinc	15	24	13	7	150	45
Lead	25	17	22	13	170	34
Coal	8	7	6	8	43	8
Oil	12	12	12	12	85 ^{b/}	17 ^{b/}
Electric power	14	13	13	11	80	11
Steam turbines	10	8	40	4	130 ^{b/}	33 ^{b/}
Large hydro- turbines	145	24	35	82	680 ^{b/}	5 ^{b/}
Chemical equip- ment	38	28	24	14	230	32
Caustic soda	8	11	15	11	79	17
Calcined soda	9	21	19	10	84	6
Mineral fer- tilizers	7	8	9	16	88	28
Synthetic rubber	20	9	13	1	82 ^{b/}	22 ^{b/}
Cement	19	15	15	19	120	17
Bricks	20	19	12	13	130	27
Slate	27	26	22	17	160	14
Paper	12	9	10	10	46	-
Cotton fabrics	22	6	5	6	64	14
Silk fabrics	34	29	78	29	340	11
Woolen fabrics	13	8	9	17	68	8
Bicycles	78	43	15	25	450	50
Radio receivers	16	6	27	76	325	54

Footnotes follow on next page at end of table.

**Increases in Industrial Production in the USSR
in the Fifth Five Year Plan Period (1951-55)^{a/}
(Continued)**

Item	Achieved Annual Increases				Planned Increase 1955 over 1950	Percent
	1951	1952	1953	1954		Increase Required in 1955
Meat	12	15	12	9	100	27
Vegetable oil	12	9	16	11	92	22
Canned food	18	11	14	16	122	28
Grape wine	24	28	24	16	139	5
Beer	16	6	13	3	80	26
Confectionery	16	12	29	3	84	7
Cigarettes	13	12	16	13	72	4

- ^{a/} This list is selected from those products for which the USSR has announced both a Fifth Five Year Plan goal and annual increases in the first four years of the plan. Revised goals have been used where known.
- ^{b/} The Five Year Plan goal for this item may have been revised since Stalin's death; if so, however, the new goal has not been announced. See text.

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TABLE II

Significant Items of Industrial Production
Frequently Unreported (1951-55)^{a/}

Item	Achieved Annual Increases				Planned Increase 1955 over 1950
	1951	1952	1953	1954	
Copper	14	15	-	5	n.a.
Rails (railroad)	-	53	-	-	n.a.
Mechanical Loaders	-	3	-	-	n.a.
Main Line Steam Locomotives	-	-	163	13	n.a.
Main Line Electric Locomotives	-	-	34	7	n.a.
Diesel Locomotives	-	-	-	-	n.a.
Freight Cars	-	-	3	-	n.a.
Oil Equipment	-	44	17	-	250
Metallurgical Equipment	-	12	18	5	85
Agricultural Machinery	15	-	-	-	n.a.
Tractor-drawn Seed Drills	15	-	-	-	n.a.
Tractor-drawn Cultivators	17	-	-	7	n.a.
Tractor-drawn Plows	-	-	1	6	n.a.
Grain Combines	15	-	-	-	n.a.
Tractor Mowing Machines	-	20	-	-	n.a.
Flax Combines	-	-	7	-	n.a.
Steam Boilers	-	-	-	-	n.a.
Metal Working Machines	-	3	-	-	n.a.
Metal Cutting Machines Tools	-	-	14	8	n.a.
Big Metal Cutting Machine Tools	-	-	-	-	160

Footnotes follow on next page at end of table.

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Significant Items of Industrial Production Frequently Unreported (1951-55)^{a/}

Item	Achieved Annual Increases				Percent Planned Increase 1955 over 1950
	1951	1952	1953	1954	
Large, Heavy, Single- Purpose Machine					
Tools	11	-	-	-	n.a.
Iron Pipe	14	-	-	-	n.a.
Lumber	17	-	-	-	n.a.
Cut Timber	-	-	-	-	56
Sulphuric Acid	-	-	-	-	n.a.
Dyes	15	-	-	7	n.a.
Synthetic Dyes	-	8	-	-	n.a.
Window Glass	-	-	22	14	46
Cotton Goods	-	-	-	-	61
Socks & Stockings	26	-	-	-	n.a.
Milk Products	-	5	-	-	n.a.
Condensed Milk	44	28	-	-	n.a.

^{a/} In all instances where a check has been possible, failure to include a commodity has coincided with a decline, however slight, in production.